

Message Text

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ACTION NEA-10

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FM AMEMBASSY ISLAMABAD
TO SECSTATE WASHDC 8887
INFO AMCONSUL KARACHI

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EO 11652: NA
TAGS: EFIN PK
SUBJ: DISCRIMINATORY INCREASE IN REQUIRED RESERVES IMPLEMENTED

REF: (A) ISLAMABAD 5555, (B) ISLAMABAD 6212

1. FOREIGN BANKS IN PAKISTAN HAVE RECEIVED FOLLOWING LETTER DATED AUGUST 26, 1978 FROM STATE BANK OF PAKISTAN. QUOTE. DEAR SIR, CAPITAL REQUIREMENT OF BANKS INCORPORATED OUTSIDE PAKISTAN UNDER SECTION 13(5) OF THE BANKING COMPANIES ORDINANCE 1962. PLEASE REFER TO BANKING COMPANIES (SECOND AMENDMENT) ORDINANCE 1978 DATED 25.6.78. AS A CONSEQUENCE OF THE AMENDMENT, BANKS INCORPORATED OUTSIDE PAKISTAN ARE REQUIRED, WITH IMMEDIATE EFFECT, TO MAINTAIN UNDER SECTION 13(5) OF THE BANKING COMPANIES ORDINANCE 1962 A MINIMUM CAPITAL OF RS50 LAKHS OR 7-1/2 PERCENT OF THE TOTAL DEMAND AND TIME LIABILITIES IN PAKISTAN AS AT THE CLOSE OF THE LAST WORKING DAY OF THE LAST CALENDAR YEAR, WHICHEVER IS THE HIGHER. HOWEVER, IN EXERCISE OF THE POWERS VESTED IN IT BY SECTION 13(5) OF THE ORDINANCE THE STATE BANK OF PAKISTAN HAS BEEN PLEASED TO ALLOW YOUR BANK A PERIOD OF 5 YEARS ENDING 31 DECEMBER 1982 TO BUILD UP THE ADDITIONAL AMOUNT RESULTING FROM THE INCREASED REQUIREMENT BASED ON THE LIABILITIES

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AS AT 31 DECEMBER 1977. AT LEAST 20 PERCENT OF THE ADDITIONAL AMOUNT THEY REQUIRE SHALL BE BUILT UP EACH CALENDAR YEAR.

ADDITIONAL CAPITAL REQUIREMENT TO BE MAINTAINED AS A RESULT OF THE INCREASED LIABILITIES FROM YEAR TO YEAR SHALL BE SUBJECT TO THE EXISTING PROCEDURE IE THE DEPOSITS HAVE TO BE MADE LATEST BY THE END OF MARCH FOLLOWING THE CLOSE OF THE RELEVANT YEAR.

ACCORDINGLY THE ADDITIONAL CAPITAL AS REFERRED TO IN PARAGRAPH ONE ABOVE TO BUILT UP AS A RESULT OF THE AMENDMENT ON THE BASIS OF THE LIABILITIES AS ON 31 DECEMBER 1977 SHALL BE DEPOSITED WITH THE STATE BANK OF PAKISTAN AS FOLLOWS:

FIRST INSTALLMENT RS LATEST BY 31 DECEMBER 1978

SECOND - (AMOUNT VARIES " " " 1979

BANK BY BANK)

THIRD " " " " 1980

FOURTH " " " " 1981

FIFTH " " " " 1982

PLEASE ACKNOWLEDGE RECEIPT. SIGNED BY S. S. HAMID. UNQUOTE.

2. WE PLAN TO DISCUSS THE IMPLEMENTATION OF THIS PREVIOUSLY ANNOUNCED DISCRIMINATION (REF. A) AGAINST FOREIGN BANKS WITH HEAD OFFICES IN KARACHI OF THE THREE AMERICAN BANKS IN PAKISTAN AND WILL PROBABLY HAVE RECOMMENDATIONS TO MAKE AFTER WE HAVE DONE SO.

HOWEVER, COMBINATION OF AMERICAN AND PAKISTANI HOLIDAYS WILL PREVENT THIS UNTIL SECOND WEEK IN SEPTEMBER. MEANTIME, WE CAN REPORT THAT BRITISH EMBASSY AND GRINDLAY'S BANK ARE EXTREMELY EXERCISED AND PLAN TO PROTEST STRONGLY. THE BRITISH ARE URGING US TO DO THE SAME.

3. 50 LAKHS OF RUPEES EQUAL APPROXIMATELY \$500 THOUSAND.

HUMMEL

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NNN

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